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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 000955

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SUBJECT: SENATOR ALLEN'S FEBRUARY 13 MEETING WITH FINANCE
MINISTER NETANYAHU

Classified By: Ambassador Daniel C. Kurtzer for Reasons 1.4 (b,d)

¶1. (C) Summary: Senator Allen and Finance Minister Bibi Netanyahu discussed the present situation between Israel and the Palestinians and Gaza disengagement. Netanyahu was guardedly optimistic about prospects for further steps toward accommodation with the PA noting that Abu Mazen faced serious challenges to become an effective partner. It was still questionable whether Abu Mazen had the will or the power to reign in terror groups and confront corruption in the PA. On disengagement, Netanyahu argued that a referendum was necessary to defuse the growth of violent protests in Israel, refuted the wisdom of unilateral disengagement, and argued that Israel's security needs would necessitate continued control of access to the West Bank and Gaza and the Philadelphi strip. End Summary.

Abu Mazen's Conundrum

¶2. (C) Senator Allen began the meeting by asking Minister Netanyahu for his view of the present situation with the Palestinians. Netanyahu said that things had gotten better in recent weeks but that that was not enough, as Abu Mazen faced serious difficulties and some hard decisions. He characterized the Palestinian Authority (PA) not as a government but a "collection of armed gangs" and Palestinian society was dysfunctional, locked in a "fantasy ideology." Abu Mazen had made a series of agreements with Israel but he had yet to be tested. "Until then we don't know if we have anything", said Netanyahu. Arafat had power but did not want to use it, Netanyahu commented, whereas Abu Mazen has an intention to act but the question remains does he have the power to act. Abu Mazen must face the twin problems of security and corruption. To have a viable state he must have an effective security force that can dismantle terror groups. To win popularity he must change the prevailing culture of corruption.

¶3. (C) Senator Allen asked Netanyahu whether the hatred of Israel was imbedded in the Palestinian people and represented an obstacle to peace. Netanyahu said the Palestinian leadership was to blame for this attitude since it guided the people to a commitment to get rid of Israel in stages. There was an urgent need for the PA to change the political culture, attitudes, tolerance and the lack of government accountability. The most pressing problem between Israel and the Palestinians was the refusal by Palestinians to accept the state of Israel. If they are not satisfied with anything less than the solutions will not go beyond the stability of a truce. Perhaps, Netanyahu commented, the PA could be weaned from this belief by economic aid but in reality the PA needed to change its own propaganda and stop others from pressing this viewpoint.

Unilateral Disengagement a Mistake

¶4. (C) In response to Senator Allen's question about progress on disengagement, Netanyahu explained his opposition to unilateral withdrawal. In his view, unilateral withdrawal without the give and take of negotiations left the perception that withdrawal was a victory for terrorism. In the minds of the Palestinian's this was a victory for Hamas and actually hurt Abu Mazen, leaving him unable to take any credit for action prompting the withdrawal. Netanyahu took issue with PM Sharon's belief that leaving Gaza would start a process that would expand into the peace process because there would be no buy-in from Hamas or change in the attitude of the Palestinians. Describing how he would have handled this issue, Netanyahu said the there needed to be give and take, to get some concessions for leaving Gaza.

Referendum Necessary to Defuse Domestic Opposition

¶5. (C) Senator Allen moved next to the question of Israeli opposition to the Gaza Disengagement plan and the need for a referendum. Netanyahu responded saying the referendum is necessary to defuse the coming conflict in Israeli society. He was not opposed to disengagement but the referendum was a

"matter of expediency." He disagreed with PM Sharon's view that a referendum would fan the flames of opposition, and argued that it would have the exact opposite effect. He insisted that a referendum would pass 60 to 40 percent in favor of disengagement and lower the number of Israelis actively opposed to the plan. Otherwise, Netanyahu said, disengagement will not go peacefully. The decision to move should be made by the people, not the military, or the protests will worsen. Netanyahu pointed to the attempted attack on him at a Bar Mitzvah in a small kibbutz as evidence of the "hot lava" out there. The Senator asked if this was a tragedy in the making, citing the fact that descendants of Virginians who were compensated and moved to make way for the Shenandoah National Park still harbored ill feelings. Netanyahu surmised that there were a thousand bad scenarios that could be contemplated, from assassination to suicides of distraught settlers. The presence of news cameras at the settlements would likely cause increased protests but if the government failed in disengagement due to violent opposition the result would be anarchy.

Security After Disengagement

16. (C) Responding to the Ambassador's question about the results of not carrying out disengagement, Netanyahu said that disengagement will go through, but additional steps were needed to ensure Israeli security. The fence must be completed along the main settlement blocks of Ariel and two other large settlements, and there must be a balance of security. To achieve this balance Israel must continue to access points to Gaza and the West Bank. Noting that it would be a long time until the security situation was transformed, Netanyahu argued that opening borders or giving up control of the Philadelphi strip was an invitation to a large arms buildup in Gaza. Netanyahu doubted that the Egyptians would have the will to fight to stop smuggling into Gaza after disengagement and viewed the establishment of a Gaza port "like a huge tunnel."

17. (U) Senator Allen did not have a chance to review this cable.

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